

# EXHIBIT 1

## **WRG Asbestos PI Trust**

**Audited Special-Purpose Financial  
Statements with Supplementary Information  
Period from February 3, 2014 (Inception) Through  
December 31, 2014**

## **WRG Asbestos PI Trust**

---

**Audited Special-Purpose Financial Statements with Supplementary  
Information**

Period from February 3, 2014 (Inception) Through December 31, 2014

## WRG Asbestos PI Trust

### Contents

---

Independent Auditor's Report	1-2
<b>Financial Statements</b>	
Special-Purpose Statement of Assets, Liabilities, and Net Assets Available for the Payment of Claims	3
Special-Purpose Statement of Changes in Net Assets Available for the Payment of Claims	4
Special-Purpose Statement of Cash Flows	5
Notes to the Special-Purpose Financial Statements	6-17
<b>Supplementary Information</b>	
Independent Auditor's Report on Supplementary Information	18
Supplementary Schedule of Operating Expenses	19



Tel: 703-893-0600  
Fax: 703-893-2766  
www.bdo.com

8405 Greensboro Drive  
Suite 700  
McLean, VA 22102

## **Independent Auditor's Report**

Trustees  
WRG Asbestos PI Trust  
Wilmington, Delaware

We have audited the accompanying special-purpose financial statements of the WRG Asbestos PI Trust (the Trust) (a statutory Trust created under the laws of the State of Delaware), which comprise the special-purpose statement of assets, liabilities, and net assets available for the payment of claims for the period from February 3, 2014 (Inception) through December 31, 2014, and the related special-purpose statement of changes in net assets available for the payment of claims and the special-purpose statement of cash flows for the period then ended, and the related notes to the special-purpose financial statements.

### ***Management's Responsibility for the Special-Purpose Financial Statements***

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

### ***Opinion***

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of WRG Asbestos PI Trust for the period from February 3, 2014 (Inception) through December 31, 2014, and the additions, deductions and cash flows for the period then ended, in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements.

### ***Basis of Accounting***

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2, these special-purpose financial statements were prepared on a special-purpose basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. The special-purpose basis of accounting has been used in order to communicate the amount of net assets presently available to fund current and future claims.

### ***Restriction of Use***

Our report is intended solely for the information and use of the management of the Trust, the Trustees, the Future Claimants' Representative, the Trust Advisory Committee, the beneficiaries of the Trust, and the United States Bankruptcy Court for the District of Delaware and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the District of Delaware, is a matter of public record.

*BDO USA, LLP*

McLean, Virginia  
April 21, 2015

## **Audited Special-Purpose Financial Statements**

**WRG Asbestos PI Trust****Special-Purpose Statement of Assets, Liabilities, and Net Assets Available  
for the Payment of Claims**December 31, 2014**Assets**

Cash and cash equivalents	\$ 796,106,509
Investments, at fair value	
Bonds	1,737,513,176
Equity securities	694,658,147
International equity funds	87,815,826
Hedge funds	73,630,978
Interest receivable	15,057,129

<b>Total assets</b>	<b>3,404,781,765</b>
---------------------	----------------------

**Liabilities**

Accrued expenses and accounts payable	\$ 2,231,395
Settled but unpaid claims	2,946,611
Federal taxes payable	19,600,000

<b>Total liabilities</b>	<b>24,778,006</b>
--------------------------	-------------------

<b>Net assets available for the payment of claims</b>	<b>\$ 3,380,003,759</b>
---	-------------------------

*See accompanying notes to the special-purpose financial statements.*



**WRG Asbestos PI Trust****Special-Purpose Statement of Changes in Net Assets Available  
for the Payment of Claims**February 3, 2014 (Inception) Through December 31, 2014**Additions**

Initial funding	\$ 3,120,378,746
Insurance recoveries	224,025,659
Interest and dividend income	20,607,103
Net appreciation in fair value of investment securities	91,672,342
Net depreciation in fair value of international equity funds	(184,174)
Net appreciation in fair value of hedge funds	1,630,978

<b>Total additions</b>	<b>3,458,130,654</b>
------------------------	----------------------

**Deductions**

Federal income tax expense	30,110,000
Personal injury claims expense	27,404,261
Operating expenses	16,467,780
Claims processing expenses	4,144,854

<b>Total deductions</b>	<b>78,126,895</b>
-------------------------	-------------------

<b>Increase in net assets available for the payment of claims</b>	<b>3,380,003,759</b>
---	----------------------

**Net assets available for the payment of claims**

Beginning of the period	-
End of the period	\$ 3,380,003,759

*See accompanying notes to the special-purpose financial statements.*

**WRG Asbestos PI Trust**  
**Special-Purpose Statement of Cash Flows**

---

*February 3, 2014 (Inception) Through December 31, 2014*

---

**Cash flows from operating activities:**

Increase in net assets available for the payment of claims	\$ 3,380,003,759
Adjustments to reconcile increase in net assets available for the payment of claims to net cash provided by operating activities:	
Trust funding received in stocks and warrants	(1,041,520,000)
Net appreciation in fair value of investment securities	(91,672,342)
Net depreciation in fair value of international equity funds	184,174
Net appreciation in fair value of hedge funds	(1,630,978)
Amortization of premiums on bonds, net	3,916,392
Changes in operating assets and liabilities	
Interest receivable	(15,057,129)
Accrued expenses and accounts payable	2,231,395
Settled but unpaid claims	2,946,611
Federal taxes payable	19,600,000
<b>Total adjustments</b>	<b>(1,121,001,877)</b>
<b>Net cash provided by operating activities</b>	<b>2,259,001,882</b>

**Cash flows from investing activities:**

Sales and maturities of bonds	311,316,381
Purchases of bonds	(2,054,476,683)
Sales of equity securities	659,921,424
Purchases of equity securities	(219,656,495)
Distributions from investments in international equity funds	355,734
Purchases of investments in international equity funds	(88,355,734)
Purchases of investments in hedge funds	(72,000,000)
<b>Net cash used in investing activities</b>	<b>(1,462,895,373)</b>

Net increase in cash and cash equivalents 796,106,509

Cash and cash equivalents at the beginning of the period -

**Cash and cash equivalents at the end of the period \$ 796,106,509**

*See accompanying notes to the special-purposes financial statements.*

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

#### 1. Description of the Trust

On April 2, 2001, W.R. Grace & Co. (WRG) and 61 of its United States subsidiaries and affiliates including W. R. Grace & Co.-Conn., A-1 Bit & Tool Co., Inc., Alewife Boston Ltd., Alewife Land Corporation, Amicon, Inc., CB Biomedical, Inc. (f/k/a Circe Biomedical, Inc.), CCHP, Inc., Coalgrace, Inc., Coalgrace II, Inc., Creative Food 'N Fun Company, Darex Puerto Rico, Inc., Del Taco Restaurants, Inc., Dewey and Almy, LLC (f/k/a Dewey and Almy Company), Ecarg, Inc., Five Alewife Boston Ltd., G C Limited Partners I, Inc. (f/k/a Grace Cocoa Limited Partners I, Inc.), G C Management, Inc. (f/k/a Grace Cocoa Management, Inc.), GEC Management Corporation, GN Holdings, Inc., GPC Thomasville Corp., Gloucester New Communities Company, Inc., Grace A-B Inc., Grace A-B II Inc., Grace Chemical Company of Cuba, Grace Culinary Systems, Inc., Grace Drilling Company, Grace Energy Corporation, Grace Environmental, Inc., Grace Europe, Inc., Grace H-G Inc., Grace H-G II Inc., Grace Hotel Services Corporation, Grace International Holdings, Inc. (f/k/a Dearborn International Holdings, Inc.), Grace Offshore Company, Grace PAR Corporation, Grace Petroleum Libya Incorporated, Grace Tarpon Investors, Inc., Grace Ventures Corp., Grace Washington, Inc., W. R. Grace Capital Corporation, W. R. Grace Land Corporation, Gracoal, Inc., Gracoal II, Inc., Guanica Caribe Land Development Corporation, Hanover Square Corporation, Romeo International, Inc., Kootenai Development Company, L B Realty, Inc., Litigation Management, Inc. (f/k/a GHSC Holding, Inc., Grace NH, Inc., Asbestos Management, Inc.), Monolith Enterprises, Incorporated, Monroe Street, Inc., MRA Holdings Corp. (f/k/a Nestor-BNA Holdings Corporation), MRA Intermedco, Inc. (f/k/a Nestor-BNA, Inc.), MRA Staffing Systems, Inc. (f/k/a British Nursing Association, Inc.), Remedium Group, Inc. (f/k/a Environmental Liability Management, Inc., E&C Liquidating Corp., Emerson & Cuming, Inc.), Southern Oil, Resin & Fiberglass, Inc., Water Street Corporation, Axial Basin Ranch Company, CC Partners (f/k/a Cross Country Staffing), Hayden-Gulch West Coal Company, H-G Coal Company (collectively, the Debtors) voluntarily filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court). On January 31, 2011, the Bankruptcy Court entered an order (the Confirmation Order) confirming the modified joint plan of reorganization (the Confirmed Plan) proposed and filed by the Debtors and supported by the Asbestos Personal Injury Committee, the Legal Representative representing the interests of future asbestos bodily injury claimants, and the Creditors Committee. On January 30, 2012, the United States District Court for the District of Delaware adopted, issued and affirmed the Confirmation Order. The Confirmation Order has become final and cannot be appealed. The Confirmed Plan became effective on February 3, 2014 (the Effective Date or the Effective Date of the Plan of Reorganization).

The essential elements of the Confirmed Plan include, among other things: the creation of the WRG Asbestos PI Trust (the Trust) to assume all liabilities and obligations for all Asbestos PI Claims (as defined in the Confirmed Plan) (Asbestos PI Trust Claims) and to use the Trust assets and income to pay the holders of all Asbestos PI Trust Claims in accordance with the Trust Agreement and the Trust Distribution Procedures (TDP) in such a way that such holders of Asbestos PI Trust Claims are treated fairly, equitably and reasonably in light of the limited assets available to satisfy such claims, and to otherwise comply in all respects with the requirements of a trust set forth in section 524(g)(2)(B) of the Bankruptcy Code.

The Trustees are responsible for supervising and administering the Trust and the use of the Trust's assets and income to pay the holders of all Asbestos PI Trust Claims in accordance with the terms of and the purposes set forth in the Trust Agreement and the TDP.

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

#### 2. Summary of Significant Accounting Policies

##### *Basis of presentation*

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trust, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available for the payment of claims and the related operating expenses of the Trust. Since the accompanying special-purpose financial statements are not based upon GAAP, the accounting treatment by other parties for these same transactions may differ as to timing and amount. The special-purpose accounting methods include the following:

- Assets are generally recorded when they are received by the Trust and are available for the payment of asbestos claims.
- Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions from net assets available for the payment of claims in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the underlying contract or agreement.
- The full amounts of claims are expensed in the period in which the confirmed claims are settled. A settled claim is a claim that has been allowed by the Trust and accepted by the claimant, with an approved release. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.
- Payments for services to be received over an extended period in the future are expensed as paid because these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.
- Payments for property and equipment are expensed as incurred. Under GAAP, payments for property and equipment are capitalized and depreciated over the useful lives of the assets. To date, the Trust has incurred no expense related to purchases of property and equipment.
- Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Under GAAP, the provision for income taxes is recorded based upon income reported for financial statement purposes, and federal and state income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities. Under GAAP, deferred taxes include a provision for taxes attributable to changes in unrealized gains and losses on investments.
- Asbestos insurance recoveries are not recorded until the funds are received from the insurance carriers. These recoveries come from various insurance settlements, which were obtained by WRG and related entities including Debtors and other affiliates and assigned to the Trust. The insurance policies cover, among other things, products and general liability claims. Future recoveries under such settlements have been assigned to the Trust pursuant to the

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

Confirmed Plan. Under GAAP, asbestos insurance recoveries are recorded upon settlement and assurance of collectability.

- Under GAAP, for financial statement disclosure purposes all investments would be categorized based on the priority of inputs used to measure fair value. Under GAAP, inputs used in measuring fair value are categorized into three levels. Level 1 includes inputs that are based upon quoted prices for identical instruments traded in active markets. Level 2 includes inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. Level 3 includes inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The accompanying special-purpose financial statements do not categorize all investments into these levels.

#### *Use of estimates*

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosures of contingent assets and liabilities at the date of the special-purpose financial statements, as well as the reported amounts of additions and deductions to the net assets available for the payment of claims during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on the net assets available for the payment of claims.

#### *Cash equivalents*

The Trust considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

#### *Investments*

Investment securities are stated at fair market value. Fair market value for investment securities, other than hedge funds, are based on quoted market prices for identical or similar instruments traded in active markets as of the date of the special-purpose financial statements. The fair market value for hedge funds is based on the Trust's proportionate share of each funds' net assets, as reported as of the date of the special-purpose financial statements. The net appreciation or depreciation in fair market value of investments in the accompanying special-purpose statement of changes in net assets available for the payment of claims consists of realized gains or losses on sales of investments and the changes in unrealized gains or losses on investments held. Investment income is recognized when earned. All interest and dividend income, net of investment expenses, are included in interest and dividend income in the accompanying special-purpose statement of changes in net assets available for the payment of claims. Gains and losses on sales of investment securities are determined using the average cost method.

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

#### *Accrued expenses and accounts payable*

Accrued expenses and accounts payable consist of accruals and outstanding invoices associated with managing and operating the Trust.

#### *Operating expenses*

Operating expenses of the Trust are paid from the net assets available for the payment of claims when invoices are received.

#### *Claims processing expenses*

Claims processing expenses are paid from net assets available for the payment of claims when invoices are received.

#### *Income taxes*

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code and Regulations thereunder (the Code). As a result, the Trust is subject to federal income taxation based on modified gross income, as defined by the Code. In the opinion of the Trustees and advisors, the Trust is not subject to state income taxes and, therefore, the special-purpose financial statements do not include any provision or liability for state income taxes.

Income tax expense is estimated and includes amounts payable or receivable under current federal income taxes.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 5). The income taxes associated with gains on investments will be recorded in the Trust's financial statements when the net gains are realized (i.e. the securities are sold) and the taxes become currently payable.

#### *Risks and uncertainties*

The Trust's assets that are exposed to credit risk consist primarily of cash and cash equivalents and investments in equity securities, municipal bonds, and hedge funds. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Trust has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2014 approximate \$759 million.

The Trust invests in a professionally managed portfolio that contains common shares of publicly traded companies, U.S. and Canadian government obligations, money market funds, and hedge funds. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's account balance and the amounts reported in the special-purpose statement of assets, liabilities and net assets available for the payment of claims.

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

#### 3. Funding Under Joint Plan of Reorganization

In accordance with the Confirmed Plan entered by the Bankruptcy Court on February 3, 2014, the Trust was funded with the Asbestos Trust Assets (as defined in the Confirmed Plan) as follows:

- (a) On the Effective Date, WRG transferred to the Trust \$250,000,000 plus \$56,166,017 in interest earned thereon from January 1, 2009 through the Effective Date. Additionally, on the Effective Date, WRG also transferred an additional \$145,742,824 to the Trust which was an amount equal to the Asbestos Property Damage Initial Payment (as defined in the Confirmed Plan).
- (b) On the Effective Date, WRG assigned all Asbestos Insurance Rights (as defined in the Confirmed Plan) to the Trust and, in accordance with the Asbestos Insurance Transfer Agreement (as defined in the Confirmed Plan), transferred \$105,796,961 to the Trust, representing asbestos insurance settlement proceeds that had been held in escrow for the benefit of the Trust.
- (c) On the Effective Date, Fresenius Medical Care Holdings, Inc. transferred \$42,128,587 to the Trust.
- (d) On the Effective Date, Cryovac, Inc. transferred to the Trust \$856,824,355 in cash and 18,000,000 shares of the common stock, \$.10 par value, of Sealed Air Corporation (Sealed Air Common Stock). The Sealed Air Common Stock had a fair market value of \$551,520,000 on the Effective Date.
- (e) On the Effective Date, WRG granted the Trust warrants (Warrants) to acquire 10,000,000 shares of the common stock, \$.01 par value, of WRG (WRG Common Stock) at an exercise price of \$17.00 per share, expiring one year from the Effective Date, subject to the terms of a Warrant Agreement (Warrant Agreement) executed between WRG and the Trust dated as of the Effective Date. The terms of the Warrant Agreement and the Warrants were subject to and modified by a letter agreement (Warrant Implementation Agreement), dated October 25, 2012, among WRG, the Committee of Asbestos Personal Injury Claimants, the Asbestos PI Future Claimants' Representative and the Official Committee of Equity Securities Holders, which was approved by the Bankruptcy Court on December 11, 2012. The Warrant Implementation Agreement provided that WRG would purchase from the Trust and the Trust would sell to WRG the Warrants on the earlier of the date the Trust delivered written notice to WRG of its election to require WRG to purchase the Warrants and the expiration date of the Warrants. The Warrant Implementation Agreement provided that WRG would repurchase the Warrants from the Trust for a price equal to the average of the daily closing prices of WRG Common Stock during the period commencing one day after the Effective Date and ending on the earlier of (A) the day prior to the date on which the Trust elected to sell the Warrants back to WRG and (B) the expiration date of the Warrants, multiplied by 10 million (the number of shares of WRG Common Stock issuable under the Warrants), less \$170 million (the aggregate exercise price of the Warrants), provided that if the average of the daily closing prices was less than \$54.50 per share, then the repurchase price would be \$375 million, and if the average daily closing prices exceeded \$66.00 per share, then the repurchase price would be \$490 million. Additional information related to the Trust's sale of the Warrants to WRG subsequent to year end is provided in Note 7.

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

- (f) On the Effective Date, the Trust, WRG and W.R. Grace & Co.-Conn., a subsidiary of WRG (WRG-Conn), entered into an Asbestos Deferred Payment Agreement (Deferred Payment Agreement) that required WRG-Conn to make deferred payments to the Trust over a 15-year period, consisting of five annual payments of \$110,000,000 commencing on January 2, 2019 and ten annual payments of \$100,000,000 commencing on January 2, 2024. WRG-Conn's obligation to make payments to the Trust under the Deferred Payment Agreement was guaranteed by WRG pursuant to that certain W. R. Grace & Co. Guarantee Agreement (PI), dated February 3, 2014 (Guarantee), and secured by WRG's obligation to issue 77,372,257 shares of Common Stock to the Trust in the event of default, as provided by that certain Share Issuance Agreement (Share Issuance Agreement), dated February 3, 2014, by and among WRG, the Trust and the WRG Asbestos PD Trust, a Delaware statutory trust. Additional information related to the settlement of the Deferred Payment Agreement is provided in Note 8.
- (g) In relation to the Asbestos Insurance Rights, the Trust entered into a settlement agreement with the Scotts Company LLC (Scotts) whereby the Trust was required to pay Scotts a total of \$1,800,000 to release and discharge Scotts and its past and present affiliates from any and all claims which the Debtors have, had, or claims to have against any or all of the Scotts Released Parties. This settlement is treated as a reduction of the initial funding as reported on the Special-Purpose Statement of Changes in Net Assets Available for the Payment of Claims.
- (h) In relation to the Asbestos Insurance Rights, the Trust entered into a settlement agreement with BNSF railway Company, The Great Northern Railway Company, Burlington Northern Railroad Company, Burlington Northern, Inc. and the Burlington Northern & Santa Fe Railway Company (collectively, BNSF) whereby the Trust was required to pay BNSP a total of \$8,000,000 to release and discharge each of the Debtors and the Trust from any and all present and future claims, demands, obligations, and liabilities of any nature whatsoever. The settlement is treated as a reduction of the initial funding as reported on the Special-Purpose Statement of Changes in Net Assets Available for the Payment of Claims.

#### 4. Related Parties

On February 28, 2014, the Trust became a member in the Delaware Claims Processing Facility (DCPF), a limited liability company, under an agreement with five other Qualified Settlement Funds. The purpose of the DCPF is to operate a claims processing facility. At inception, the Trust contributed \$100 in capital to this entity. Effective February 28, 2014, this entity began processing all of the Trust's Asbestos Claims.

For the period from February 3, 2014 (Inception) through December 31, 2014, the Trust paid expenses related to the operations of this entity of \$4,144,854. Expenses charged to the Trust related to the operation of this entity include start-up costs, direct labor expense, other direct expenses, and an allocation of common costs.



# WRG Asbestos PI Trust

## Notes to the Special-Purpose Financial Statements

### 5. Investment Securities

Investments in bonds and equity securities consist of the following at December 31:

Description	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	\$ 1,739,234,058	\$ 6,402,513	\$ (8,123,395)	\$ 1,737,513,176
Equity securities	688,615,860	14,346,724	(8,304,437)	694,658,147
	<u>\$ 2,427,849,918</u>	<u>\$ 20,749,237</u>	<u>\$ (16,427,832)</u>	<u>\$ 2,432,171,323</u>

Net appreciation in the fair value of investment securities of \$91,672,342 for the period from February 3, 2014 (Inception) through December 31, 2014, consists of the net change in unrealized gains (losses) and net realized gains from investment sales.

#### *Net unrealized gains and losses*

The net change in unrealized gains from market appreciation (depreciation) is comprised of the following investments for the period from February 3, 2014 (Inception) through December 31, 2014:

Bonds	\$ (1,720,882)
Equity securities	6,042,287
	<u>\$ 4,321,405</u>

#### *Realized gains and losses*

Net realized gains (losses) from investment sales consist of the following for the period from February 3, 2014 (Inception) through December 31, 2014:

Bonds	\$ (9,852)
Equity securities	87,360,789
	<u>\$ 87,350,937</u>

#### *Summary of changes in investments in international equity funds*

The table below sets forth a summary of changes in the fair value of the Trust's investment in international equity funds for the period from February 3, 2014 (Inception) through December 31 2014:

## WRG Asbestos PI Trust

## Notes to the Special-Purpose Financial Statements

Balance, beginning of period	\$ -
Purchases	88,355,734
Liquidations / Distributions	(355,734)
Net change in fair value	(184,174)
Balance, end of period	\$ 87,815,826

*Summary of changes in investments in hedge funds*

The table below sets forth a summary of changes in the fair value of the Trust's investments in hedge funds for the period from February 3, 2014 (Inception) through December 31, 2014:

Balance, beginning of period	\$ -
Purchases	72,000,000
Net change in fair value	1,630,978
Balance, end of period	\$ 73,630,978

*Hedge fund categories*

The major categories of the Trust's hedge fund investments, including general information related to each category, are as follows:

	Fair Value 2014	Redemption Frequency (if Currently Eligible)	First/Next Redemption	Notice Period (days)	Gate
(a)					
Long/short fund	\$ 12,062,197	Not eligible	June 30, 2015	95	0%
Long/short fund	7,467,809	Not eligible	June 30, 2015	90	20%
Long/short fund	4,472,557	Not eligible	December 31, 2016	60	0%
Long/short fund	4,392,349	Quarterly	December 31, 2014	65	0%
Long/short fund	4,201,679	Not eligible	June 30, 2017	90	0%
Long/short fund	4,186,515	Not eligible	August 31, 2015	65	25%
	36,783,106				
(b)					
Multi-strategy fund	17,067,676	Not eligible	September 30, 2016	45	0%
Multi-strategy fund	12,275,232	Not eligible	December 31, 2015	44	25%
Multi-strategy fund	7,504,964	Not eligible	September 30, 2016	90	0%
	36,847,872				
	\$ 73,630,978				

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

(a) Hedge funds in this category employ long and short trading strategies in various markets. More specifically, these long/short strategies include preservation and growth of capital over the long-term through investments in U.S. and international public equities of consumer related companies, and equities and equity-related securities of companies in the Western European markets. The fair value of the hedge fund investments in this category was estimated based on the Trust's proportionate share of each fund's net assets, as reported on the respective funds' financial statements for the period from February 3, 2014 (Inception) through December 31, 2014.

(b) Hedge funds within this category use a variety of strategies to diversify risks and reduce volatility. These strategies include seeking capital appreciation through event-driven investments that seek to exploit situations in which announced or anticipated events create inefficiencies in the pricing of securities, investing in securities of issuers experiencing financial distress, investing in event-driven and risk arbitrage securities, and purchasing long and selling short in publicly-traded securities and loans. Other strategies of funds in this category include investing in U.S. and non-U.S companies' debt and equity securities, investing in event-driven situations involving litigation, regulatory or legislative changes, and global investments focused on investments with capital structure changes, spin-offs, recapitalizations, liquidations, and reorganization among other events. The fair value of the hedge fund investments in this category was estimated based on the Trust's proportionate share of each fund's net assets, as reported on the respective funds' financial statements for the period from February 3, 2014 (Inception) through December 31, 2014.

#### 6. Disposition of Sealed Air Common Stock

The Trust received 18,000,000 shares of Sealed Air Common Stock on the Effective Date under the terms of the Confirmed Plan.

On June 6, 2014, the Trust agreed to sell 5,000,000 shares of Sealed Air Common Stock in a registered block trade to Credit Suisse Securities (USA) LLC at \$33.06 per share after soliciting bids for the shares from five investment banks, and Sealed Air Corporation agreed to repurchase 3,932,244 shares of Sealed Air Common Stock from the Trust, also at \$33.06 per share. On June 13, 2014, the Trust received aggregate proceeds of \$295,300,000 from the sale of 8,932,244 shares of Sealed Air Common Stock in the two transactions.

On November 10, 2014, the Trust agreed to sell its remaining 9,067,756 shares of Sealed Air Common Stock in an unregistered block trade pursuant to Rule 144 of the U.S. Securities and Exchange Commission to Credit Suisse Securities (USA) LLC at \$38.12 per share after soliciting bids for the shares from four investment banks. The transaction closed on November 14, 2014 and the Trust received \$345,662,859 in proceeds from the sale.

#### 7. Disposition of W.R. Grace & Co. Warrants

The Trust received Warrants to purchase 10,000,000 shares of WRG Common Stock at an exercise price of \$17.00 per share on the Effective Date, subject to the terms and conditions of the Warrant Agreement and the Warrant Implementation Agreement. The terms of the Warrants, the Warrant Agreement and the Warrant Implementation Agreement are described in Note 3.

On February 2, 2015, the Trust delivered notice to WRG pursuant to the Warrant Implementation Agreement of its election to compel WRG to purchase the Warrants from the Trust. On February 3, 2015, an assignment of the Warrants by the Trust to WRG was effected through the warrant agent and the Trust received payment from WRG of \$490,000,000 in full satisfaction of WRG's obligations to pay the purchase price under the Warrant Implementation Agreement.

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

---

The value of the Warrants reported on the Statement of Assets, Liabilities, and Net Assets Available for the Payment of Claims for the period from February 3, 2014 (Inception) through December 31, 2014 is equal to the purchase price for the Warrants under the Warrant Implementation Agreement, which approximates the fair market value of the Warrants at December 31, 2014 after taking into consideration the terms of the Warrant Implementation Agreement and the trading price of WRG Common Stock on December 31, 2014.

#### 8. Settlement of Deferred Payment Agreement

On the Effective Date, the Trust, WRG and WRG-Conn entered into the Deferred Payment Agreement, which required WRG-Conn to make deferred payments to the Trust over a 15-year period, consisting of five annual payments of \$110,000,000 commencing on January 2, 2019 and ten annual payments of \$100,000,000 commencing on January 2, 2024. The terms of the Deferred Payment Agreement, the Guarantee and the Share Issuance Agreement are described in Note 3.

On August 1, 2014, the Trust, WRG and WRG-Conn entered into an Obligation Termination Agreement (Termination Agreement) pursuant to which all of the obligations of WRG and WRG-Conn under the Deferred Payment Agreement, the Guarantee and, as to the Trust, the Share Issuance Agreement, were to be terminated upon, among other things, the cash payment of \$632,000,000 by WRG-Conn to the Trust. On September 18, 2014, the transactions described in the Termination Agreement closed and the Trust received \$632,000,000 in satisfaction of WRG-Conn's obligation to make payments to the Trust under the Deferred Payment Agreement.

#### 9. Income Taxes

During the period from February 3, 2014 (Inception) through December 31, 2014 the Trust paid \$10,510,000 income taxes and recorded \$30,110,000 in income tax expense. The Trust has no net operating loss carryforwards or capital loss carryforwards to offset future taxable income.

As disclosed in Note 2 to the special-purpose financial statements, the Trust does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with net operating loss carry forwards or cumulative unrealized gains and losses on investments.

#### 10. Insurance Recoveries

During the period from February 3, 2014 (Inception) through December 31, 2014, the Trust received insurance recoveries from insurers in the amount of \$224,025,659. Under the terms of settlement agreements with certain insurance companies, the Trust may be entitled to future insurances recoveries. In accordance with the Trust's accounting policies, such insurance recoveries are recorded as an addition to net assets available for the payment of claims when the funds are received from the insurance companies.

#### 11. Contingent Liabilities

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust. The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

claims, if any, are not expected to be material. The Trust has obtained insurance for purposes of supporting its obligation to indemnify the Trustees.

#### 12. Liability for Asbestos Claims

The settled but unpaid claims liability at December 31, 2014 consists of personal injury claims that were settled and approved for payment by the Trust, but were unpaid as of December 31, 2014. These amounts have been included in settled but unpaid claims in the accompanying special-purpose statement of assets, liabilities and net assets available for the payment of claims and in personal injury claims settled expense in the accompanying special-purpose statement of changes in net assets available for the payment of claims for the period from February 3, 2014 (Inception) through December 31, 2014.

The ultimate number of Asbestos Personal Injury Trust Claims to be filed and the liability for all such claims are uncertain at this time. The net assets available for the payment of claims at December 31, 2014 represents funding available for all Asbestos Personal Injury Trust Claims for which no fixed liability has yet been established. The net assets available for the payment of claims at December 31, 2014 may or may not be sufficient to meet all future obligations of the Trust.

#### 13. Trust Liability Insurance

The Trust purchased liability insurance requiring premiums of \$601,028 during the period from February 3, 2014 (Inception) through December 31, 2014. The current policy term is from January 6, 2014 through January 6, 2015. Subsequent to year end, the policy term was renewed through January 6, 2016. The Trust's accounting policy is to expense in the current period any amounts that will not be available to pay future Asbestos PI Trust Claims or expenses of the Trust. Accordingly, \$601,028 was recorded as a deduction in net assets available for the payment of claims during the period from February 3, 2014 (Inception) through December 31, 2014.

#### 14. Trustees, Trust Advisory Committee, and Future Claimants Representative

Fees and expenses of the Trustees, Trust Advisory Committee, Future Claimants' Representative, Delaware Claims Processing Facility Board of Managers, and related counsels for the period from February 3, 2014 (Inception) through December 31, 2014 were:

	Fees	Retainer	Expenses	Total
Trustees	\$ 758,583	\$ 165,000	\$ 58,335	\$ 981,918
Future Claimants' Representative	276,410	-	141,529	417,939
Future Claimants' Representative Counsel	300,451	-	5,130	305,581
Trust Advisory Committee	-	-	500	500
Trust Advisory Committee Counsel	290,865	-	6,714	297,579
Delaware Claims Processing Facility Board of Managers	26,500	-	-	26,500
	\$ 1,652,809	\$ 165,000	\$ 212,208	\$ 2,030,017

## **WRG Asbestos PI Trust**

### **Notes to the Special-Purpose Financial Statements**

---

The above amounts are included in operating expenses in the special-purpose statement of changes in net assets available for the payment of claims for the period from February 3, 2014 (Inception) through December 31, 2014.

#### **15. Subsequent Events**

The Trust has evaluated its February 3, 2014 (Inception) through December 31, 2014 special-purpose financial statements for subsequent events through April 21, 2015, the date the special-purpose financial statements were available to be issued. Other than the sale of W.R. Grace & Co. warrants as noted in Note 7, the Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

## **WRG Asbestos PI Trust**

---

Supplementary Information  
December 31, 2014



Tel: 703-893-0600  
Fax: 703-893-2766  
www.bdo.com

8405 Greensboro Drive  
Suite 700  
McLean, VA 22102

## Independent Auditor's Report on Supplementary Information

Trustees  
WRG Asbestos PI Trust  
Wilmington, Delaware

Our audit of the special-purpose financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements as a whole.

*BDO USA, LLP*

April 21, 2015



**WR Grace Asbestos Personal Injury Trust****Supplementary Schedule of Operating Expenses**


---

 Period from February 3, 2014 (Inception) through December 31, 2014
 

---

*Period from February 3, 2014 (Inception) through  
December 31, 2014*


---

Investment advisory and management fees	\$ 7,460,637
Professional fees	3,186,157
Legal fees	2,943,372
Trustee fees, retainer, and expenses	981,918
Trust liability insurance	601,028
Future claimants' representative fees and expenses	417,939
Future claimants' representative counsel fees and expenses	305,581
TAC counsel fees and expenses	297,579
Accounting fees	139,575
Administrative fees	94,261
Delaware Claims Processing Facility Board of Managers	26,500
Miscellaneous operating expenses	12,733
TAC fees and expenses	500
<b>Total operating expenses</b>	<b>\$ 16,467,780</b>

---